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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

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SECURITIES AND EXCHANGE COMMISSION, :
Applicant, : 22-MISC-
-against- : ECF CASE
GP CAPITAL GROUP, INC. and :
SHANNON W. ILLINGWORTH, :
Respondents. :
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**SECURITIES AND EXCHANGE COMMISSION'S
APPLICATION FOR AN ORDER TO SHOW CAUSE AND
FOR AN ORDER REQUIRING COMPLIANCE WITH SUBPOENAS**

The Securities and Exchange Commission (“Commission”), by its undersigned counsel, respectfully submits this Application for an Order to Show Cause and for an Order Requiring Compliance with Subpoenas (“Application”), and, together with a proposed order to show cause, the supporting memorandum of law, Declaration of Thomas W. Peirce (“Peirce Decl.”) and exhibits thereto, based on the following:

1. Respondents GP Capital Group, Inc. (“GP Capital Group”) and Shannon W. Illingworth (“Illingworth”) have not complied with lawful Commission investigative subpoenas. The subpoenas required that they produce documents in the Commission’s investigation entitled *In the Matter of GP Capital Group, Inc.* (Internal File No. NY-10359) (the “GP Capital Group Investigation”).

2. On July 7, 2021, the Commission issued an Order Directing Private Investigation and Designating Officers to Take Testimony (the “Formal Order”) pursuant to Section 20(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77t(a)] and Section 21(a) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u(a)].

3. Pursuant to the Formal Order, the Commission is investigating whether any persons or entities have engaged in acts constituting violations of various provisions of the federal securities laws by, among other things, soliciting and selling unregistered securities without an exemption by offering sale-leaseback investments in shipping containers being used to grow cannabis (which the company calls “PODs”) and making material misrepresentations concerning the investment’s rate of return. (Peirce Decl. ¶¶ 7, 9.)

4. From May 2020 through the present, GP Capital Group has made a general solicitation, both through GP Capital Group’s website and with cold calls by sales persons associated with GP Capital Group and Illingworth, for a sale-leaseback investment, promising returns of 20% by profit sharing in the sale of cannabis. (Peirce Decl. ¶ 6, Ex. 13, Ex. 16.)

5. According to the first version of GP Capital Group’s investment prospectus, the PODs are “40-foot cultivation rooms placed in state of the art, highly advanced grow complexes.” (Ex. 13 at unmarked page 2.)¹ Investors are promised a “20% annual return” by

¹ All exhibits are attached to Peirce Decl.

sharing the profits from the sale of cannabis which is cultivated in the PODs. (*Id.* at unmarked page 6.) After five years, the investor can either sell back their container for \$75,000 or renew the lease for another five years. (*Id.*) The cover of the prospectus states: “Let Your Money Grow With the Pros” and describes the investment as “5 Star Rated,” “High Yield Investment,” and “Asset Backed.” (Ex. 13 at unmarked page 1.) Since at least May 2022, GP Capital has solicited investors with a similar offering document, but it promises a “12% annual return” for a sale-leaseback of a POD bought for \$120,000 (Peirce Decl. ¶ 6, Ex. 17.)

6. The Commission is also investigating whether GP Capital Group and associated persons acted as unregistered broker-dealers in the solicitation and sale of shares in GP Solutions, Inc. (OTC: “GWPD”) and Advanced Container Technologies, Inc. (OTC: “ACTX”). (*Id.* ¶¶ 7-8.)

7. The Formal Order designates, pursuant to Section 19(c) of the Securities Act [15 U.S.C § 77s(c)] and Section 21(b) of the Exchange Act [15 U.S.C. § 78u(b)], certain individuals as officers of the Commission empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memoranda, or other records deemed relevant or material to the investigation. (Peirce Decl. ¶ 9.)

8. Commission staff designated as officers of the Commission in the Formal Order issued subpoenas to, among others, GP Capital Group and Illingworth in furtherance of the GP Capital Group Investigation. (Peirce Decl. ¶¶ 9, 11, Exs. 1-2, 5 attached to the Declaration.)

9. Specifically, one of the designated Commission officers issued subpoenas to GP Capital Group and Illingworth on July 9, 2021. (Peirce Decl. ¶¶ 9, 11, Exs. 1-2, 5.) The subpoenas required that they produce documents to the Commission by July 23, 2021. (*Id.* ¶ 11,

Ex. 1-2.)

10. Neither GP Capital Group nor Illingworth has complied with any portion of the subpoenas. (Peirce Decl. ¶¶ 14-21.)

11. Accordingly, the Commission hereby submits this Application for an Order to Show Cause, in the form attached, requiring GP Capital Group and Illingworth to show cause why they should not be ordered to produce documents to the Commission either at the Commission's processing center (ENF-CPU (U.S. Securities & Exchange Commission) 14420 Albemarle Point Pl., Suite 102; Chantilly, VA 20151-1750) or via Accellion/Kiteworks to enf-cpu@sec.gov and peircet@sec.gov pursuant to subpoenas properly issued by the Commission staff and served upon them in connection with an ongoing Commission investigation.

12. The Commission further requests that, after a hearing, the Court enter an Order requiring GP Capital Group and Illingworth to comply with the subpoenas within ten (10) days.

13. This Court has jurisdiction, and venue properly lies within this District under Section 21(c) of the Exchange Act, 15 U.S.C. § 78u(c).

14. WHEREFORE, the Commission respectfully requests:

I.

That the Court enter an Order to Show Cause, directing the Respondents GP Capital Group and Illingworth to show cause why this Court should not enter an Order requiring their production of the requested documents in the subpoenas.

II.

That the Court enter an Order requiring GP Capital Group and Illingworth to submit a sworn statement to the Commission describing efforts made to locate responsive documents and

the results of those efforts, if GP Capital Group and Illingworth do not have documents within their possession, custody, or control that are responsive to any document request contained in the subpoenas.

III.

That the Court enter an Order requiring the Respondents GP Capital Group and Illingworth to comply fully with the subpoenas within ten days from entry of this Order.

IV.

That the Court order such other and further relief as may be necessary and appropriate to achieve compliance with the subpoenas within the time period set forth in the proposed Order to Show Cause.

Dated: July 27, 2022
New York, New York

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

/s/ Thomas P. Smith, Jr.

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CERTIFICATE OF SERVICE

I hereby certify that on July 27, 2022, I served a copy of the foregoing Securities and Exchange Commission's Application for an Order to Show Cause and for an Order Requiring Compliance with Subpoenas, together with supporting papers (Memorandum of Law and Declaration of Thomas W. Peirce), via email and UPS upon:

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(counsel for GP Capital Group and Shannon W. Illingworth)

/s/ Richard Hong
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Securities and Exchange Commission